

## **INFORMATION BULLETIN #10**

### **SALES TAX DIVISION**

**JUNE, 2002**

**DISCLAIMER:** Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information, which is not consistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

**SUBJECT:** Application of Sales Tax to Not-For-Profit Organizations

**REFERENCES:** IC 6-2.5-5-25, IC 6-2.5-5-26, 45 IAC 2.2-5-55, 45 IAC 2.2-5-56, 45 IAC 2.2-5-57, 45 IAC 2.2-5-58, 45 IAC 2.2-5-59, 45 IAC 2.2-5-60

Not-for-profit organizations (except governmental entities) are no longer required to obtain retail merchant certificates unless they conduct retail sales on which tax must be collected.

Such organizations must register with the Indiana Department of Revenue and receive a Not-For-Profit Registration Number. The Not-For-Profit Registration Number may be used on sales tax exemption certificates (Form ST-105) when making qualified purchases, unless the organization has been classified as a social organization and issued a number in the 800000 series.

A Not-For-Profit Registration Number in the 800000 series may not be used to make purchases exempt from sales tax.

A not-for-profit organization making taxable sales must register as a retail merchant in addition to registering as a not-for-profit organization (see section II).

#### **I. PURCHASES BY NOT-FOR-PROFIT ORGANIZATIONS**

A. Purchases for Own Use.

1. In order to qualify for sales tax exemption on purchases as a not-for-profit organization the following conditions must prevail:

- (a) The organization must be named or described in IC 6-2.1-3-19, 6-2.1-3-20, 6-2.1-3-21 or 6-2.1-3-22 or their successors. This includes not-for-profit organizations organized and operated exclusively for one or more of the following purposes.

Charitable	Literary
Civic	Religious
Educational	Scientific
Fraternal	

- (b) Also included are the following specifically named not-for-profit organizations.

Business Leagues	Licensed Hospitals
Cemetery Assns.	Monasteries
Churches	Parochial Schools
Convents	Pension Trusts
Labor Unions	Public Schools

- (c) The organization is not operated predominantly for social purposes.
  - (d) In order for a purchase by a not-for-profit organization to qualify for exemption, the article purchased must be used for the same purpose as that for which the organization is being exempted. Purchases for the private benefit of any member of the organization or for any other individual, such as meals or lodgings, are not eligible for exemption. If a member of the organization purchases a meal or lodging, even if the member is to be reimbursed by the organization, the purchase is not exempt, and the member must pay sales tax at the time of purchase. Purchases used for social purposes are never exempt.

- (e) The fact that an organization is being exempted by the Federal Government or by the State of Indiana for income tax purposes, does not necessarily mean that purchases made by the not-for-profit organization are exempt.

B. Purchases for Resale.

Tangible personal property purchased for resale by a not-for-profit organization are eligible for sales tax exemption.

C. Purchases by Social Organizations.

Purchases of tangible personal property to be used by organizations organized and operated predominately for social purposes are not exempt. If over fifty percent (50%) of its expenditures are for or related to social activities such as food and beverage services, golf courses, swimming pools, dances, parties, and other similar social activities, the organization will be considered to be predominantly organized and operated for social purposes.

II. SALES BY QUALIFIED NOT-FOR-PROFIT ORGANIZATIONS

- A. Sales of tangible personal property by qualified not-for-profit organizations carried on for a total of not more than thirty (30) days in a calendar year and engaged in as a fund raising activity to raise funds to further the qualified not-for-profit purposes of the organization are exempt from sales tax. This provision applies to social organizations as well as other qualified organizations.

- B. If an organization conducts selling or fund raising activities during thirty-one (31) or more days in a calendar year (not necessarily consecutive), it is a retail merchant and must collect sales tax on those sales.

However, sales of property that is intended primarily either for the organization's educational, cultural, or religious purposes or for improvement of the work skills or professional qualifications of the organizations members, may be sold exempt throughout the year.

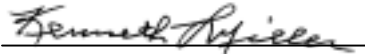
- C. All organizations required to collect sales tax must register with the Department of Revenue as retail merchants and obtain a registered retail merchants certificate in addition to registering as a not-for-profit organization.

- D. Sales by a qualified organization of periodicals, books, or other property of a

kind intended primarily for the educational, cultural, or religious purposes of the organization are exempt from sales tax.

- E. Sales by a qualified organization of periodicals, books, or other property to its members of a kind designed and intended to improve the skill or professional qualifications of its members for the purpose of carrying on their business, trade, or profession, are exempt from sales tax.

This bulletin applies only to the status of not-for-profit organizations under the sales tax act. Most not-for-profit organizations are subject to income tax on some of their receipts.



Kenneth L. Miller  
Commissioner